Terragen Holdings Ltd and Controlled Entities

ABN 36 073 892 636

Financial report for the financial year ended 30 June 2019

Financial report
for the year ended 30 June 2019

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Directors' report

The directors of Terragen Holdings Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names and detail of the directors of the Company who held office during or since the financial year are:

Name	Particulars	Responsibilities
Dr Gregory Robinson (BSc (Hons) PhD Physics, Uni of Melb F.Fin (Grad Dip Finance MAICD)	Appointed to the Board in Sep 2012 as Director. Chairman and CEO Zomojo, Exablaze (Financial Trading and Computer Networking Devices resp.) Formerly Director of Bellwether Funds Management; Formerly MD and CEO ITG Asia Pacific and member of Global Exec Committee (ITG NYSE listed "ITG") Responsible for running businesses in Aus, HK, Sing and Japan. Member ASX 1997.	Non-Executive Director.
Dr Wayne Finlayson (BSc (Hons) PhD Uni of Melbourne; Post Doctorate at California – Berkeley)	Appointed to the Board in June 2015. Current MD/CEO of Servatus Biopharmaceuticals Pty Ltd. Former MD/CEO Progen Pharmaceuticals Ltd (ASX Listed). Technology Director Infergene Inc (Nasdaq Listed).	Mr. Wayne Finlayson is the inventor of Terragen's Great Land Biological Solution; serves as technical advisor to Terragen's Research and Development and Production facilities and is a Non-Executive Director.
Mr Sam Brougham (Bcomm – (Economics, Accounting, and Business Management))	Appointed as Chairman of the Board in July 2017.Sam has over thirty years experience in private and public investment. He is currently a director of Ellerston Global Investments and Ceres Capital, a private global equity investment firm he co-founded in 1999. Sam also cofounded Structured Asset Management in 1993. After receiving an economics degree from Adelaide University, Sam spent his early career with Price Waterhouse, then JB Were where he became partner.	Sam Brougham chairs all Board meetings ensuring all KPI's from previous Board meetings are adhered to and are met. Offers guidance and advice regarding appropriate corporate governance and transparency.
Dr Paul Schober (MBA/PhD – University of Sydney)	Appointed to the Board in June 2017. Paul's thirty year career in the animal health industry includes senior executive positions in which he established global distribution agreements and implemented commercial rigor for biotechnology research companies including Peptech Animal Health, Anatara Lifesciences and Apex Laboratories. Paul attained a science degree, PhD and MBA at the University of Sydney.	Non-Executive Director.

Name	Particulars	Responsibilities
Mr Justus Homburg (MBA – University of Washington, Fulbright Scholar – University of Utrecht)	Joined the board and executive in June 2017. His thirty year business career focused on commercialization of new technologies in agriculture and human life sciences. Fifteen years with Monsanto included marketing, distribution and product development in USA and European markets. The latter half of Justus's business career include senior appointments at Nestle's Vital Foods, Progen Pharmaceuticals and Chirogen. Justus completed his undergraduate degree at Iowa State University, holds graduate degrees from Southern Illinois University and the University of Utrecht, was a faculty member at the University of Michigan and a Fulbright Scholar, and holds a MBA from the University of Michigan.	As CEO Mr Homburg is responsible for all the day to day running of Terragen Group of Companies comprising Production, Research & Development, Sales & Marketing as well as guidance in area of Administration and Accounting.
Mr David Ryan	Appointed to the Board in September 2017. He has over 25 years' experience in investment banking and is currently a Partner of Barbon Advisors LLP, a UK regulated corporate advisory boutique. Prior to this, David was a Managing Director at Goldman Sachs International where he worked for 20 years in a variety of roles in Asia and Europe, primarily in the Securities Division. During that period he became a partner with responsibility for managing the Asian Equities distribution business and then the European Equities business. Most recently David was Head of Institutional Wealth Management (Family Offices) for Goldman Sachs in Europe. In his early career David spent seven years at Macquarie Bank Limited in the Bullion and Commodities Division.	Non-Executive Director.

Company Secretary

Mr. Nick Lee (Diploma in Business Studies) resigned as Company Secretary on 6 March 2019. Mr Wayne Jeffs was appointed as Company Secretary on 6 March 2019.

Directors' meetings

During the financial year, 7 meetings were held. The number of Board meetings held during the financial year and the number of meetings attended by each Director are shown below.

	Board of Directors Meetings	
	Held while board member	Attended
Mr Gregory Robinson	7	7
Mr Wayne Finlayson	7	4
Mr Justus Homburg	7	7
Mr Paul Schober	7	7
Mr Sam Brougham	7	7
Mr David Ryan	7	7

Principal activities

The consolidated entity's principal activities during the course of the financial year were research, development and early market development of biological products in the agriculture sector.

No significant change in the nature of these activities occurred during the financial year.

Review of operations

The loss of the consolidated entity for the year ended 30 June 2019 after providing for income tax amounted to $3,210,741 (2018: $3,441,921).

Changes in state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Subsequent events

Subsequent to year end the Company has issued 2,312,000 new ordinary shares as a result of the following:

- The exercise of 1,112,000 options;
- 1,000,000 B Class shares that converted to ordinary shares; and
- 200,000 shares issued at $0.25 per share.

Additionally, there were 4,014,043 options issued to certain existing shareholders at an exercise price of $0.25 per share.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

The Company is undertaking preparations for an Initial Public Offering (IPO) on the Australian Stock Exchange that is expected to occur before 31 December 2019.

Environmental regulations
The operations of the consolidated entity are subject to a number of environmental regulations. To the best of the directors' knowledge, all activities are performed in accordance with the requirements of relevant environmental regulations.

Dividends
In respect of the financial year ended 30 June 2019, no dividends were paid or declared (2018: $Nil).

Unissued shares under option
During the year, 1,030,000 options over unissued shares were granted to the Directors and select Employees (other than Directors) of the company and were granted as part of their remuneration. Further, there were 12,114,043 options issued to shareholders who participated in capital raisings during the year and to the date of this report on a 1:1 basis per share acquired. Details of options on issue are as follows:

Issue date	Number of shares under option	Class of shares	Exercise price	Expiry date
28/10/2016	1,300,000	Ordinary Shares	0.005	No expiry
28/10/2016	400,000	Ordinary Shares	0.050	No expiry
28/10/2016	1,990,000	Ordinary Shares	0.050	18/01/2022
24/01/2017	350,000	Ordinary Shares	0.050	24/01/2021
01/02/2017	75,000	Ordinary Shares	0.005	01/02/2021
16/08/2017	450,000	Ordinary Shares	0.050	16/08/2021
01/09/2017	600,000	Ordinary Shares	0.050	01/09/2017
17/01/2018	2,000,000	Ordinary Shares	0.050	17/01/2018
01/07/2018	1,030,000	Ordinary Shares	0.075	01/07/2022
13/06/2019	8,100,000	Ordinary Shares	0.25	31/12/2022
07/07/2019	3,000,000	Ordinary Shares	0.25	31/12/2022
10/07/2019	1,014,043	Ordinary Shares	0.25	31/12/2022

Shares issued during or since the end of the year as a result of exercise of options
Subsequent to year end 1,112,000 shares were issued pursuant to options issued on 28/10/2016.

Indemnification of officers and auditors
During or since the end of the financial year the company has indemnified or made a relevant agreement to indemnify the officers of the company against a liability incurred as such an officer. In addition, the company has paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services
During the year, the Company's auditors performed certain other services in addition to their statutory audit duties. The Board has considered the non-audit services provided during the year by the auditor and are satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Directors to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company and its related practices for audit and non-audit services provided during the year are set out in Note 6 to the financial statements.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor's independence declaration
The auditor's independence declaration is included on page 8 of the annual report.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Justus Homburg
Managing Director
Brisbane, 16 October 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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16 October 2019

The Board of Directors
Terragen Holdings Ltd
Level 2, 145 Flinders Lane
MELBOURNE VIC 3000

Dear Board Members

Terragen Holdings Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Terragen Holdings.

As lead audit partner for the audit of the financial statements of Terragen Holdings Ltd for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Terragen Holdings Ltd

Opinion

We have audited the accompanying financial report of Terragen Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the financial report of the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Group would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Regarding the Continuation as Going Concern

We draw attention to Note 3 in the financial report, which indicates that for the year ended 30 June 2019 the consolidated entity incurred a net loss after tax of $3,210,741 (2018: $3,441,921) and reported negative cash flows from operating activities of $2,136,187 (2018: $2,837,865). These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Deloitte.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's directors report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the company are responsible for assessing the ability of the Group, to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the company either intend to liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director of the company.

- Conclude on the appropriateness of the director of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's, ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group, to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director of the company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 16 October 2019

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Justus Homburg
Managing Director
Brisbane, 16 October 2019

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue	4	981,007	855,690
Other income	4	254,205	358,504
Accounting and audit expenses		(120,236)	(78,862)
Amortisation expense		(5,263)	(6,257)
Changes in inventories of finished goods		(2,129)	(44,955)
Computer costs		(59,447)	(63,380)
Consulting costs		(345,426)	(580,564)
Depreciation expense		(267,747)	(71,669)
Direct research & development expenses		(235,808)	(580,160)
Employee benefits expense		(2,639,643)	(2,480,279)
Finance costs		(19,581)	(43,641)
Insurance costs		(72,184)	(88,486)
Legal costs		(15,943)	(356,703)
Motor vehicle costs		(130,083)	(91,683)
Occupancy costs		(137,475)	(144,863)
Patent costs		(99,601)	(90,402)
Raw materials and consumables used		(335,894)	(480,038)
Transport costs		(145,402)	(177,080)
Other expenses		(451,475)	(498,567)
Loss before tax		(3,848,125)	(4,663,395)
Income tax benefit	5	637,384	1,221,474
Loss for the year		(3,210,741)	(3,441,921)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		(3,210,741)	(3,441,921)
Loss per share			
Basic loss per share	18	0.03	0.04
Diluted loss per share	18	0.03	0.04

The accompanying notes form part of these financial statements.

Consolidated statement of financial position at 30 June 2019

	Notes	2019 $	2018 $
Current assets			
Cash and bank balances	7	1,837,241	1,677,868
Trade and other receivables	8	410,315	285,886
Inventories	9	35,836	37,965
Current tax asset	5	645,321	1,221,471
Total current assets		2,928,713	3,223,190
Non-current assets			
Property, plant and equipment	11	824,955	527,885
Intangible assets	12	72,685	77,666
Other assets	10	122,256	119,695
Total non-current assets		1,019,896	725,246
Total assets		3,948,609	3,948,436
Current liabilities			
Trade and other payables	13	653,901	768,793
Borrowings	14	125,430	66,252
Provisions	15	185,212	153,204
Total current liabilities		964,543	988,249
Non-current liabilities			
Borrowings	14	102,345	165,845
Provisions	15	45,457	-
Total non-current liabilities		147,802	165,845
Total liabilities		1,112,345	1,154,094
Net assets		2,836,264	2,794,342
Equity			
Issued capital	16	22,222,619	19,718,579
Reserves	17	1,877,793	1,129,170
Accumulated losses		(21,264,148)	(18,053,407)
Total equity		2,836,264	2,794,342

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 30 June 2019

	Issued capital	Accumulated losses	Reserves	Total
2018	**$**	**$**	**$**	**$**
Balance at 1 July 2017	14,664,031	(14,611,486)	696,870	749,415
Issue of share capital	5,411,433	-	-	5,411,433
Capital raising costs	(356,885)	-	-	(356,885)
Fair value of share options issued	-	-	432,300	432,300
Loss for the year	-	(3,441,921)	-	(3,441,921)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(3,441,921)	-	(3,441,921)
Balance at 30 June 2018	19,718,579	(18,053,407)	1,129,170	2,794,342
2019				
Balance at 1 July 2018	19,718,579	(18,053,407)	1,129,170	2,794,342
Issue of share capital	2,650,968	-	-	2,650,968
Capital raising costs	(146,928)	-	-	(146,928)
Fair value of share options issued	-	-	748,623	748,623
Loss for the year	-	(3,210,741)	-	(3,210,741)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(3,210,741)	-	(3,210,741)
Balance at 30 June 2019	22,222,619	(21,264,148)	1,877,793	2,836,264

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,209,770	773,828
Payments to suppliers and employees		(4,550,902)	(4,730,458)
Interest and other costs of finance paid		(19,581)	(63,710)
Interest received		10,992	32,525
Research and development tax concessions received		1,213,534	1,149,950
Net cash used in operating activities	19(b)	(2,136,187)	(2,837,865)
Cash flows from investing activities			
Payment for property, plant & equipment		(637,032)	(198,809)
Proceeds for sale of property, plant & equipment		54,083	-
Net cash used in investing activities		(582,949)	(198,809)
Cash flows from financing activities			
Proceeds from issue of share capital net of costs		2,882,832	5,054,548
Repayments of borrowings		-	(500,000)
Repayment of lease liabilities		(4,323)	(66,745)
Net cash provided by financing activities		2,878,509	4,488,803
Net increase in cash and cash equivalents		159,373	1,451,129
Cash and cash equivalents at the beginning of the year		1,677,868	226,739
Cash and cash equivalents at the end of the year	19(a)	1,837,241	1,677,868

The accompanying notes form part of these financial statements.

1. General information

Terragen Holdings Ltd and Controlled Entities (the Group) is a for-profit, unlisted public company, incorporated and domiciled in Australia. The financial statements include consolidated financial statements for the consolidated entity consisting of the company and its subsidiaries.

The entity's registered office and principal place of business is as follows:

Unit 6, 39 Access Crescent
Coolum Beach QLD 4573

The consolidated entity's principal activities during the course of the financial year were research, development and early market development of biological products in the agriculture sector.

2. Adoption of new and revised Accounting Standards

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 Financial Instruments and related amending Standards
- AASB 15 Revenue from Contracts with Customers and related amending Standards

The application of these amendments does not have any material impact on the amounts recognised in the Group's consolidated financial statements.

2.2 New and amended standards and interpretations

The Group applied AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 9 Financial Instruments

The Group has adopted AASB 9 'Financial Instruments' from 1 July 2018 which replaced AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts (now termed the expected credit loss allowance), and new hedge accounting requirements.

The impact on the Group from the adoption of AASB 9 is set out below:

Classification of financial instruments

Trade receivables that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost. This basis of classification is consistent with that under AASB 139.

Credit losses on trade receivables

The Group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

The difference between the credit loss allowances calculated under AASB 9 compared to the incurred loss calculated under AASB 139 is not material to the group.

2. Adoption of new and revised Accounting Standards (cont'd)

2.2 New and amended standards and interpretations (cont'd)

There has been no change to other financial assets or financial liabilities in the adoption of the new standard.

AASB 15 Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended April 2016) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

Revenue from the sale of goods under AASB 118 Revenue was recognised when the Group had transferred the significant risk and rewards of ownership to the buyer, which was transferred at point of delivery. Under the new standard, revenue from the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has transferred to the customers, which is also at the point of time at delivery. The adoption of AASB 15 therefore, has had no material impact.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3(m). Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a material impact on the financial position and/or financial performance of the Group.

2.3 Standards and Interpretations in issue not yet adopted

New and revised Standards and amendments thereof and Interpretations that are not yet effective for the current year that are relevant to the group include:

Standards/amendment	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 16 *Leases*	1 January 2019	30 June 2020
AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*	1 January 2019	30 June 2020
AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*	1 January 2020	30 June 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020	30 June 2021

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

AASB 16 'Leases'

General impact of AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019. The transition method the Group plans to adopt is retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application in retained earnings

Impact of new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 *Determining whether an arrangement contains a lease* will continue to apply to those leases entered or modified before 1 July 2019.

2. Adoption of new and revised Accounting Standards (cont'd)

2.3 Standards and Interpretations in issue not yet adopted (cont'd)

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition of AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lease accounting

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income.
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets.*

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis in accordance with its existing accounting policy, which is permitted under AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $284,103 (see note 22).

The Group's impact assessment in relation to its operating leases highlights that the Group will recognise a right-of-use asset of approximately $249,000 and a corresponding lease liability of that same amount. The approximate impact on profit or loss is to decrease occupancy expenses by $57,000, to increase depreciation by $50,000 and to increase interest expense by $12,000 in the financial year ended 30 June 2020.

3. Significant accounting policies

Statement of compliance
The financial statements have been prepared in accordance with the recognition, measurement and disclosure requirements specified by all Australian Accounting Standards and Interpretations which includes compliance with all International Financial Reporting Standards (IFRS Standards).

For the purposes of preparing the financial statements, the consolidated entity is a for-profit entity.

Basis of preparation
This is the first year the Group has prepared Tier 1 general-purpose financial statements. Previous financial statements have been prepared in accordance with a special purpose framework, but in accordance with the measurement and recognition requirements of all Australian Accounting Standards. The directors have assessed in accordance with AASB 1 'First Time Adoption of Australian Accounting Standards' that the transition in reporting framework has had no impact on the reported financial position, financial performance or cash flows of the Group.

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;

3. Significant accounting policies (Cont'd)

Basis of Consolidation (cont'd)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern

The financial statements have been prepared on the basis of going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the twelve months ended 30 June 2019, the consolidated entity incurred a loss after tax of $3,210,741 (2018: $3,441,921) and reported negative net cash flows from operating activities of $2,136,187 (2018: $2,837,865). The consolidated entity is currently in the product research and development phase and in order to continue as a going concern, is reliant on raising further capital.

The Company is undertaking preparations for an Initial Public Offering (IPO) on the Australian Securities Exchange that is expected to occur before 31 December 2019. Should the Company not be successful in completing an IPO on or before 31 December 2019 it will be required to raise additional funding by other means.

Taking into consideration the Company's previous capital raisings and the advanced stage of preparations for the proposed IPO, the Directors are confident of securing funds as and when necessary to meet the Company's obligations as and when they fall due.

In the event that the Company is unsuccessful in raising additional capital, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the below notes, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. Significant accounting policies (Cont'd)

Critical accounting judgements and key sources of estimation uncertainty (cont'd)
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies
The directors have made no critical judgements, apart from those involving estimations (which are presented separately below) in the process of applying the Group's accounting policies.

Judgements
With regard to research and development costs it has been determined that the Group has not met the criteria as outlined in Note 3(n). In particular, the Group is not considered to have the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets. On this basis it has not capitalised development costs.

Key sources of estimation uncertainty
In the following notes are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided in the following notes:

(i) Estimated value of share options
Management estimates the fair value of share options using the Black Scholes option pricing method. The assumptions of these calculations include estimation of the volatility, equity value at issue and the risk free rate. Refer to further disclosures in note 17.

(ii) Tax receivables
Management estimate the amount receivable in Research and Development tax offsets based on application of the rules and requirements of the legislation. Refer also to Note 3(h).

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Borrowings
Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(b) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(c) Employee benefits
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant accounting policies (Cont'd)

(d) Financial instruments

Recognition and Derecognition
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of Financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows.

Impairment of financial assets
The Group makes use of a simplified approach for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured at amortised cost
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. Significant accounting policies (Cont'd)

(e) Financial instruments (cont'd)

Trade payables
Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Impairment of assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (Cont'd)

(h) Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Management estimate the amount in Research and Development tax offsets based on application of the rules and requirements of the legislation. The Company policy is to recognise the R&D tax offset in income tax expense.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(j) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Company as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and a reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs.

Finance leased assets are amortised on a diminishing value basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

3. Significant accounting policies (Cont'd)

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

The depreciable amounts of all fixed assets including buildings, but excluding freehold land, are depreciated over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The following depreciation rates are used in the calculation of depreciation:

Class of Fixed Assets	*Depreciation Rate*	*Basis*
Plant and equipment	10 – 40%	Straight line
Furniture & fittings	10 – 50%	Straight line
Motor vehicles	25%	Straight line
Plant and Equipment R&D	20 – 33%	Straight line
Leasehold improvements	25%	Straight line

(l) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(m) Revenue recognition

<u>Sale of goods</u>
Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the promised goods to its customers.

<u>Grant revenue</u>
Grant revenue is recognised at fair value when there is reasonable assurance:

- the Group will comply with the conditions of the grant and;
- the grants will be received.

<u>Interest revenue</u>
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant accounting policies (Cont'd)

(n) Intangible assets

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(o) Comparative figures

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current financial year.

4. Revenue and other income	**2019 $**	**2018 $**
Sale of goods	981,007	855,690
Other income		
Grant Income	234,390	323,344
Interest received	10,992	32,525
Other income	8,823	2,635
Total Other Income	254,205	358,504
Total revenue and other income	1,235,212	1,214,194

5. Income Tax Expense
The income tax expense can be reconciled to the accounting profit as follows:

(a) Components of tax benefit		
Current tax	1,079,544	1,719,486
Deferred tax	(442,160)	(498,015)
	637,384	1,221,471
(b) Prima facie tax benefit		
Loss from continuing operations	(3,848,125)	(4,663,395)
Non-deductible expenditure	1,729,453	2,773,111
	(2,118,672)	(1,890,284)
Income tax benefit calculated at 27.5%	582,635	519,828
Non-recognition of current year taxable loss	(582,635)	(519,828)
Over provision of prior year R&D offset	(7,937)	-
Research and Development tax offset	645,321	1,221,471
	637,384	1,221,471
(c) Current tax asset		
Current tax asset relates to the following:		
Current tax assets		
Opening balance	1,221,471	1,149,950
Tax refund received	(1,213,534)	(1,149,950)
Over provision of prior year R&D offset	(7,937)	-
Research and Development tax offset	645,321	1,221,471
Closing balance	645,321	1,221,471

Deferred tax assets associated with income tax losses have not been recognised due to uncertainty as to the timing of their recoupment from sufficient future taxable income. Deferred tax assets relating to unused tax losses that may potentially be available to the Group, subject to meeting the requirements under tax legislation, at 27.5% tax rate is $2,287,178 as at 30 June 2019 (2018: $1,845,016).

6. Remuneration of the auditors

Remuneration of the auditors for:	**2019** **$**	**2018** **$**
Audit of the financial statements	28,500	24,750
Other non-audit services	40,000	38,300
	68,500	63,050

The auditor of Terragen Holdings Ltd is Deloitte Touche Tohmatsu.

7. Cash and cash equivalents

Cash on hand	600	600
Cash at bank	1,836,641	1,677,268
	1,837,241	1,677,868

8. Trade and other receivables

Trade receivables	469,140	213,479
Loss allowance	(66,947)	-
	402,193	213,479
Other receivables	8,122	72,407
	410,315	285,886

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

9. Inventories

Finished goods	35,836	37,965

10. Other assets

Security bond	122,256	119,695

Security bond relates to leased properties as disclosed in Note 22.

11. Property, plant and equipment

	2019 $	2018 $
Carrying amounts of:		
Plant and equipment	25,915	76,305
Leased motor vehicles	108,076	168,153
Office equipment	6,210	12,647
Leased research equipment	454,088	227,944
Leasehold improvements	230,666	-
Work in progress	-	42,836
Written down value	824,955	527,885

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant & equipment $	Leased motor vehicles $	Office equipment $	Finance leased research equipment $	Leasehold improvements $	Work in Progress $	Total $
Cost							
Balance 1 July 2018	258,903	229,543	64,924	286,608	-	42,836	882,814
Additions	-	-	1,222	432,598	203,212	-	637,032
Disposals	(72,703)	(12,000)	-	(49,761)	-	-	(134,464)
Transfers	-	-	-	-	42,836	(42,836)	-
Balance 30 June 2019	186,200	217,543	66,146	669,445	246,048	-	1,385,382
Accumulated depreciation							
Balance 1 July 2018	(182,598)	(61,390)	(52,277)	(58,664)	-	-	(354,929)
Depreciation	(32,732)	(54,512)	(7,659)	(157,462)	(15,382)	-	(267,747)
Disposals	55,045	6,435	-	769	-	-	62,249
Balance 30 June 2019	(160,285)	(109,467)	(59,936)	(215,357)	(15,382)	-	(560,427)
Written down value	25,915	108,076	6,210	454,088	230,666	-	824,955
Cost							
Balance 1 July 2017	258,903	69,583	63,971	131,588	-	-	524,015
Additions	-	159,960	953	155,020	-	42,836	358,769
Disposals	-	-	-	-	-	-	-
Balance 30 June 2018	258,903	229,543	64,924	286,608	-	42,836	882,814
Accumulated depreciation							
Balance 1 July 2017	(165,951)	(42,792)	(48,858)	(25,659)	-	-	(283,260)
Depreciation	(16,647)	(18,598)	(3,419)	(33,005)	-	-	(71,669)
Disposals	-	-	-	-	-	-	-
Balance 30 June 2018	(182,598)	(61,390)	(52,277)	(58,664)	-	-	(354,929)
Written down value	76,305	168,153	12,647	227,944	-	42,836	527,885

12. Other intangible assets	**2019 $**	**2018 $**
Patents & trademarks	103,836	103,554
Accumulated amortisation	(31,151)	(25,888)
Total intangible assets	72,685	77,666

13. Trade and other payables

Trade payables	107,026	589,247
Accrued expenses	420,126	108,883
Other payables	126,749	70,663
	653,901	768,793

Trade payables have an average credit period of 45 days from invoice date. The carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

14. Borrowings

CURRENT		
Insurance premium funding	37,495	-
Finance lease liabilities (i)	87,935	66,252
	125,430	66,252
NON-CURRENT		
Finance lease liabilities (i)	102,345	165,845

(i) The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

15. Provisions

CURRENT		
Employee benefits	185,212	153,204
NON-CURRENT		
Employee benefits	45,457	-

The provision for employee benefits relates to the group’s liability for accumulated long service and annual leave entitlements.

16. Issued capital

	2019 $	2018 $
Ordinary shares	22,200,119	19,696,079
'B' Class shares	22,500	22,500
Total	22,222,619	19,718,579

Ordinary shares

At shareholder meetings, each ordinary share has the right to attend and vote, one vote for every share held. Each ordinary share has the right to participate in the dividends (if any) declared on that class of share.

Ordinary shares	2019 Shares	2018 Shares	2019 $	2018 $
Issued and fully paid:				
Beginning of the year	91,754,859	64,645,191	19,696,079	14,641,531
Issue of shares	12,214,043	27,039,668	2,515,968	5,408,383
Shares issued as a result of exercise of options	-	70,000	-	3,050
Shares issued as remuneration	540,000	-	135,000	-
Capital raising costs	-	-	(146,928)	(356,885)
Balance at 30 June	104,508,902	91,754,859	22,200,119	19,696,079

(a) Ordinary Shares

Ordinary shares participate in the winding up of the company to the extent of the capital with respect to the number of shares held. At shareholder meetings, each ordinary share is entitled to attend and vote, one vote for every share held. Shares issued as remuneration are issued at the market value of the shares with reference to recent capital raisings.

(b) Fully paid class B shares

Class B shares have no right to participate in any dividends.

At shareholder meetings, each class B share is entitled to attend and vote, one vote for every share held. In a winding up of the Company class B shares have no right to repayment of capital upon such shares and no right to participate in the division of any surplus assets or profits of the Company.

There were 1,000,000 class B Shares on issue as at 30 June 2019 (2018: 1,000,000)

17. Reserves

		2019 $	2018 $
Share based payments reserve	17(a)	1,364,001	1,129,170
Equity options reserve	17(b)	513,792	-
Total reserves		1,877,793	1,129,170
Balance at the beginning		1,129,170	696,870
Fair value of options issued		748,623	432,300
Balance at the end		1,877,793	1,129,170

17. Reserves (cont'd)

(a) Share based payment reserve

	2019 Options	2018 Options	2019 $	2018 $
Options issued:				
Outstanding at the beginning of the year	7,165,000	4,150,000	1,129,170	696,870
Credit to equity for equity-settled share-based payments	1,030,000	3,085,000	234,831	435,350
Exercised during the year	-	(70,000)	-	(3,050)
Outstanding at the end of the year	8,195,000	7,165,000	1,364,001	1,129,170

Details of the employee share option plan of the Company

The Company has a share option scheme for Directors, executives and employees of the Company and its subsidiaries. As approved by shareholders and in accordance with the terms of the plan, Directors, executives and employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with service and performance based criteria approved by the Company and is subject to approval by the Board.

Fair value of employee share options granted during in the year

The fair value of the employee share options granted during the financial year (Tranche 9) is $0.1854. Options were valued using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Inputs into the model:

Grant date share price:	$0.25	Exercise price:	$0.075
Expected volatility:	46%	Options life:	4 years
Dividend yield:	Nil	Risk-free interest rate:	2.2%

Employee shares options on issue

The following share-based payment arrangements were in existence as at 30 June 2019.

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
Tranche 1	1,300,000	28/10/2016	28/10/2016	None	$0.005	$0.1830
Tranche 2	400,000	28/10/2016	28/10/2016	None	$0.05	$0.1500
Tranche 3	1,990,000	28/10/2016	28/10/2016	18/01/2022	$0.05	$0.1554
Tranche 4	350,000	24/01/2017	24/01/2017	24/01/2021	$0.05	$0.1559
Tranche 5	75,000	01/02/2017	01/02/2017	01/02/2021	$0.05	$0.1559
Tranche 6	450,000	16/08/2017	16/08/2017	16/08/2021	$0.05	$0.1563
Tranche 7	600,000	01/09/2017	01/09/2017	01/09/2021	$0.05	$0.1581
Tranche 8	2,000,000	17/01/2018	17/01/2018	17/01/2022	$0.05	$0.1562
Tranche 9	1,030,000	01/07/2018	01/07/2018	01/07/2022	$0.075	$0.1854

17. Reserves (cont'd)

(b) Equity options reserve

	2019 Options	2018 Options	2019 $	2018 $
Options issued:				
Outstanding at the beginning of the year	-	-	-	-
Fair value of equity options issued during the year	8,100,000	-	513,792	-
Outstanding at the end of the year	8,100,000	-	513,792	-

Details of other share options issued by the Company
As part of the capital raising that occurred in June 2019 all participating shareholders were issued an option to acquire an additional share for each share subscribed.

The terms of the issue is outlined below:

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
Tranche 10	8,100,000	13/06/2019	13/06/2019	31/12/2022	$0.25	$0.0634

18. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Terragen Holdings Ltd) as the numerator. The reconciliation of the weighted average number of shares for the purpose of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2019 $	2018 $
Loss attributable to the owners of the Company	(3,210,741)	(3,441,921)

	2019 No.	2018 No.
Weighted average number of shares used in basic earnings per share	94,783,088	84,081,007
Weighted average number of shares used in diluted earnings per share (i)	94,783,088	84,081,007

There were no potential ordinary shares that are considered dilutive as they did not meet the requirements for inclusion as per AASB 133 Earnings per share since the Group generated losses for the years ended 30 June 2018 and 30 June 2019.

19. Cash and cash equivalents	2019 $	2018 $

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2019 $	2018 $
Cash on hand	600	600
Cash at bank	1,836,641	1,677,268
Cash and bank balances	1,837,241	1,677,868

19. Cash and cash equivalents (cont'd)	2019 $	2018 $
(b) Reconciliation of profit for the year to net cash flows from operating activities:		
Loss for the year	(3,210,741)	(3,441,921)
Adjustment for non-cash items		
Depreciation and amortisation	273,010	77,926
Loss on sale of fixed assets	18,132	-
Share based payments – shares issued	135,000	-
Share based payments – expense	234,831	432,300
	(2,549,768)	(2,931,695)
(b) Reconciliation of profit for the year to net cash flows from operating activities:		
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(124,429)	(169,483)
Inventories	2,129	44,955
Other assets	(2,842)	(119,696)
Current tax assets	576,150	(71,521)
Increase/(decrease) in liabilities:		
Trade and other payables	(114,892)	400,353
Provisions	77,465	9,222
Net cash used in operating activities	(2,136,187)	(2,837,865)

20. Financial instruments

(a) Capital risk management
The Group manages its capital to ensure that the entity will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balances.

The Group's capital includes issued capital less any accumulated losses. The Group's policy is to maintain a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any externally imposed capital requirements.

20. Financial instruments (cont'd)

(b) Categories on financial assets and liabilities

Assets	2019 $	2018 $
Cash & cash equivalents	1,837,241	1,677,868
Trade and other receivables	410,315	285,886
Total other financial assets	122,256	119,969
Total non-financial assets	1,578,797	1,864,986
Total assets	3,948,609	3,948,436
Liabilities		
Trade and other payables	653,901	768,793
Total borrowings	227,775	232,097
Total non-financial liabilities	230,669	153,204
Total liabilities	1,112,345	1,154,094

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors (other than related parties) under financial instruments entered into by the company.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

(ii) Trade receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by forecasting and monitoring cash inflows and outflows on a continuing basis.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

20. Financial instruments (cont'd)

Year ended 30 June 2019	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Cash and cash equivalents	1,837,241	-	-	1,837,241	1,837,241
Trade and other receivables	410,315	-	-	410,315	410,315
Other financial assets	-	-	122,256	122,256	122,256
Payables	(653,901)	-	-	(653,901)	(653,901)
Borrowings	(87,120)	(49,627)	(119,960)	(256,706)	(227,775)
Net maturities	1,506,535	(49,627)	2,296	1,459,204	1,488,156

Year ended 30 June 2018	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Cash and cash equivalents	1,677,868	-	-	1,677,868	1,677,868
Trade and other receivables	285,886	-	-	285,886	285,886
Other financial assets	-	-	119,696	119,696	119,696
Payables	(768,793)	-	-	(768,793)	(768,793)
Borrowings	(36,355)	(36,355)	(199,574)	(272,284)	(232,097)
Net maturities	1,194,961	(36,355)	(79,878)	1,042,374	1,082,560

21. Related party transactions

The Group's related parties include key management, post-employment benefit plans for the Group's employees and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The aggregate compensation made to key management personnel of the Company is set out below:

	2019 $	2018 $
Salary	281,076	281,076
Superannuation	20,048	20,974
Director fees – cash	45,000	160,096
Director fees – shares	108,000	18,000
Share based payments	-	312,546
Total	454,124	792,692

Other transactions with key management personnel

There were no other transactions with key management personnel during the year.

Other transactions with related parties

There were transactions with entities controlled by the Directors of the Group including:

Barbon Advisors which David Ryan is a director provided capital raising services for $49,507 (2018: Nil)
Servatus Pty Ltd which Wayne Finlayson is a director provided trial consulting services for $32,477 in 2018 (2019: Nil)

22. Capital and leasing commitments

Finance Lease Commitments	2019 $	2018 $
Not longer than 1 year	99,253	72,709
Between 1 year and 5 years	119,960	181,179
More than 5 years	-	18,395
Total commitment	219,213	272,283
Unexpired interest charges	(28,933)	(40,186)
	190,280	**232,097**
Operating Lease Commitments		
Not longer than 1 year	56,621	68,548
Between 1 year and 5 years	227,562	265,789
More than 5 years	-	18,395
	284,183	**352,732**

The finance leases are in respect of items such as research and development equipment and motor vehicles.
The operating leases are in respect of items such as office space and research and development facilities.

23. Contingent liabilities

There are no contingent liabilities as at 30 June 2019 (2018: nil).

24. Subsequent events

Subsequent to year end the Company has issued 2,312,000 new ordinary shares as a result of the following:

- The exercise of 1,112,000 options;
- 1,000,000 B Class shares that converted to ordinary shares; and
- 200,000 shares issued at $0.25 per share.

Additionally, there were 4,014,043 options issued to certain existing shareholders at an exercise price of $0.25 per share.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations or state of affairs of the consolidated entity in the financial year.

25. Interests in subsidiaries

Set out below details of the subsidiaries held directly by the Group:

Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests 30 June 2019	30 June 2018
Terragen Biotech Pty Ltd	Australia	Agricultural biotech	100%	100%

26. Parent entity

Information relating to Terragen Holdings Ltd ('the Parent Entity'):

	2019 $'000	2018 $'000
Statement of financial position		
Current assets	2,388,552	2,855,031
Total assets	2,461,207	2,932,695
Current liabilities	-	80,657
Total liabilities	-	80,657
Net assets	2,461,207	2,852,039
Issued capital	22,736,411	19,718,579
Reserves	1,364,001	1,129,170
Accumulated losses	(21,639,205)	(17,995,710)
Total equity	2,461,207	2,852,039
Statement of profit or loss and other comprehensive income		
Loss for the year	(3,643,495)	(3,498,648)
Other comprehensive income	-	-
Total comprehensive income	(3,643,495)	(3,498,648)

The Parent Entity has no capital commitments at 30 June 2018 (2017: $Nil).

The Parent Entity had no contingent liabilities at 30 June 2018 (2017: $Nil).

27. Segment reporting

The Group operates in one segment being the research, development and early market development of biological products in the agriculture sector. No operating segments have been aggregated in arriving at the reportable segment of the Group.

28. Company Details

The registered office and principal place of business of the company and the fully owned subsidy are:

Holding company:

Terragen Holdings Ltd

Unit 6, 39 Access Crescent

Coolum Beach QLD 4573

Fully owned subsidiary entities

Terragen Biotech Pty Ltd

Unit 6, 39 Access Crescent

Coolum Beach QLD 4573